EBA/CP/2024/03

18 January 2024

Consultation Paper

Draft Implementing Technical Standards on amending Commission Implementing Regulation (EU) 2016/2070 with regard to the benchmarking of internal models

Contents

1. Responding to this consultation

The EBA invites comments on all proposals put forward in this paper and in particular on the specific questions summarised in section 5.2.

Comments are most helpful if they:

- respond to the question stated;
- indicate the specific point to which a comment relates;
- contain a clear rationale;
- provide evidence to support the views expressed/ rationale proposed; and
- describe any alternative regulatory choices the EBA should consider.

Submission of responses

To submit your comments, click on the 'send your comments' button on the consultation page by **27 March 2023**. Please note that comments submitted after this deadline or submitted via other means may not be processed.

Publication of responses

Please clearly indicate in the consultation form if you wish your comments to be disclosed or to be treated as confidential. A confidential response may be requested from us in accordance with the EBA's rules on public access to documents. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the EBA's Board of Appeal and the European Ombudsman.

Data protection

The protection of individuals with regard to the processing of personal data by the EBA is based on Regulation (EU) 1725/2018 of the European Parliament and of the Council of 23 October 2018. Further information on data protection can be found under the Legal notice section of the EBA website.

2. Executive Summary

Article 78 of Directive 2013/36/EU (CRD) requires competent authorities to conduct an annual assessment of the quality of internal approaches used for the calculation of own funds requirements. To assist competent authorities in this assessment, the EBA calculates and distributes benchmark values to CAs that allows a comparison of individual institutions' risk parameters. These benchmark values are based on data submitted by institutions as laid out in Commission Implementing Regulation (EU) 2016/2070 which specifies the benchmarking portfolios, templates and definitions to be used as part of the annual benchmarking exercises.

For the 2025 benchmarking (BM) exercise the following changes are suggested:

- For market risk (MR), templates and instructions for new Internal Model Approach (IMA) framework, reflecting the changes introduced with the FRTB. Moreover, an extension of the existing set of instruments and portfolios is suggested to benchmark banks' implementations of the regulatory SBM aggregation logic.

- For credit risk (CR), minor changes are proposed exclusively for the instructions related to 5 columns of the templates C.102 and C.103 and 2 columns of the template C.105

The EBA supervisory benchmarking serves three major objectives, the first one being the abovementioned supervisory assessment of the quality of internal approaches. However, it also provides a powerful tool as well to explain and monitor RWA variability over time and horizontally and to indicate related implications for prudential ratios and the relevant policy. Lastly, the benchmarking results also provide the banks with valuable information on their risk assessment compared to other banks' assessment on comparable portfolios.

Next steps

The Annexes presented in this draft ITS replace or are added to the existing set of templates in order to create a consolidated version of the updated draft ITS package.

These draft ITS will be submitted to the Commission for endorsement before being published in the Official Journal of the European Union. The technical standards will apply 20 days after publication in the Official Journal.

3. Background and rationale

3.1 Market risk benchmarking

1. As part of the 2025 ITS update to the market risk benchmarking exercise templates were amended in order to introduce the data collection for the Internal Model Approach (IMA) framework, reflecting the changes introduced with the FRTB. Changes are fairly substantial, since the previous templates had to be abandoned because no longer compatible with the new IMA framework and all its new components, in particular RFET, Expected shortfall, stress scenarios risk measure and default risk change.

2. In order to make the data collection as simple as possible the new template for IMA benchmarking purpose are drawn from the templates that are used for COREP standard collection of IMA information. COREP templates had obviously to be amended, in order to consider the benchmarking specificities, but the similarities with COREP are supposed to facilitate their correct interpretation from the banks.

3. Moreover, mindful of the implementation burden created by the IMA FRTB implementation, the initial application of the data submission had been kept limited to a subset of the instruments (Interest rate risk and credit risk) and portfolios that were required for the previous IMA framework, and granular data collection is limited to Expected Shortfall and Stressed Scenario Risk Measures, while DRC will be considered for future developments. This choice reflects also the consideration that the numbers of banks in scope of FRTB IMA benchmarking has decreased considerably, and the possibility of building a meaningful benchmarking for risk measures, when the number of observations has to be assessed. A staged implementation of the FRTB IMA benchmarking is therefore the choice EBA is suggesting to adopt.

4. As a second substantial change, the data collection of the validation information for the alternative standardised approach (ASA) is extend by including the remaining assets class that were not included in the 2024 framework, which covered only the Interest Risk in its first application. The FRTB ASA approach is going to be implemented by a substantial high number of institutions, which will extend the scope of the Market Risk Benchmarking far beyond the actual scope of the exercise. The subjects in scope of the ASA data collection could be above the 100 subjects, a far higher number with respect to current 40(plus) subjects in scope of the Market Risk benchmarking exercise. Own fund requirements amounts will also shift substantially to FRTB ASA, leaving a minority (but still significant) amount of OFR within the IMA requirements. Therefore, EBA benchmarking exercise is posing great attention to the ASA framework, with the additional extension of the validation portfolio, in order to provide a tool for assessment of ASA proper implementation to the supervisors.

5. More detailed information on the changes in the Market Risk Templates in the following section.

3.1.1 Introduction of FRTB IMA Templates

6. The ITS proposal provides a series of new templates, in order to collect the information concerning the FRTB IMA approach. To be more specific the new templates (in Annex 7) and the new instruction in Annex 6 are the following:

   - Template 130.01 is split into two components: RFET and Stress period. The RFET (130.01.01) will provide information, at portfolio level, of the number of the risk factors that pass and do not pass the risk factor eligibility test. Differences in submission between Expected shortfall and SSRM between different banks could be explained by their different performance in terms of risk factors eligibility test. The template is also designed to provide a granular set of information in terms of the numbers of risk factors considered, at benchmarking portfolio level, and their split between different risk class and sub-classes. The Stress Period template (130.01.02), is basically identical of the COREP templates, but since the COREP template is an information based on quarterly relevance, which is not aligned with the benchmarking exercise timing, the competent authorities, with the benchmarking template, will have more specific information of the actual stress period applied during the benchmarking information.

   - Template 130.02 – Daily Risk Measures. Within this template banks will provide the main risk measures: Expected shortfall risk measure (ES), Stress scenario risk measure (SSRM) and Default risk charge (DRC). The information is meant to be provided by benchmarking portfolio, independently on their actual presence in the banks trading book, as long as the bank has IMA approval and it is allowed to trade with the specific instruments in the portfolio by its internal policy. To keep the exercise consistent with the past exercise, the risk measures will be provided for a ten days (2 weeks) period.

   - Template 130.03 – Partial Expected Shortfall. This information, provided always at portfolio level, is meant to provide the key component of the Expected figures provided in template 130.02. As by regulation, the expected shortfall will be computed as combination of expected shortfall computed considering the current scenario, using both reduced and full set of risk factors, and the expected shortfall coming from the stressed scenario considering the reduced set of risk factors. Since stress period will be, likely different, as reduced set of risk factors applied, it is expected that these three re-computations will have different level of homogeneity. Moreover, in order to better understand the impact of different choices in terms of the stress period, the proposal in this consultation paper is also to collected partial expected shortfall, with restricted set of risk factor, under stress scenario, by applying the same risk scenario for all the institutions participating in the exercise.

   - Template 130.04 – Backtesting. As for the COREP template, this template is requiring proving internal measure of Expected Shortfall, VaR. The timeseries of VaR and Expected Shortfall shall be of the same length of the data provided in the Daily Risk measures and the partial expected shortfall (template 130.02 and 130.03), i.e., two weeks of data. The VaR and Expected Shortfall are collected to assess their consistency with measures provided in templates 130.03, and with the time series of P&L provided in template 108. Furthermore, in the template 130.04, hypothetical PL and Risk theoretical PL will be collected, to assess their consistency, within each other and across banks. Clearly, VaR, ES and PL collected are not expected to be applied to properly backtest the performance of the model on the single portfolios, due of course, to the insufficient length of the data series provided.

- Template 130.05 – Stress scenario risk measures. This template is also split in two, in order to better facilitate the data collection of the Stress scenario risk measures. Due to the granularity of this information, this template will be filled out only with information concerning one day of observation – the last day of the Risk Measures reference period.

7. The first template (C 130.05.01 Alternative internal model approach: Stress scenario risk measure (SSRM) - Own funds requirements (MKR IMA SSRM1) for benchmarking) allow for a more aggregated data collection of the component of the total Stress scenario risk measures (i.e., the Aggregate rescaled stress scenario risk measure (ΣRSS2) - Idiosyncratic Credit Spread and Equity risks, and for the “Other risks”, the Sum of rescaled stress scenario risk measures and the Aggregate rescaled stress scenario risk measure. The total Stress scenario risk measures shall be reported also in this template and should march the last day of submission of the SSRM reported in template 130.02.

8. The second template, also filled with information concerning the last day of the risk assessment submission, is meant to disaggregate the component of the rescaled SSRM. Here the banks will report each non-modellable risk factors, attributing a unique identifier, so that the supervisors can verify the most granular component of the SSRM, for each specific portfolios in the benchmarking exercise.

Questions for consultation:

MR Q1: Do you see any issues or lack of information required in the new templates suggested for the IMA FRTB benchmarking exercise (i.e. Annex 6 & 7)?

MR Q2: Do you think it is appropriate to restrict the data collection to only two asset classes (interest and credit spread risk) to begin the exercise? Please motivate your answer.

MR Q3: Do you think it is appropriate to ask to report also a PES with the same stressed risk scenario? Would you extend this possibility also to the SSRM?

MR Q4: Do you think it is appropriate/feasible to impose to report an instrument/portfolio as if all the risk factors in the instruments/portfolio would be eligible to pass the risk factor eligibility test?

MR Q5: As a follow-up to Q4, do you think it is appropriate/feasible to impose to report an instrument/portfolio as if all the risk factors in the instruments/portfolio would fail to pass the risk factor eligibility test (i.e. report all the RF as if they were NMRF)?

3.1.2 Amendments to Annex 5

9. A series of changes were introduced to the Annex 5. The changes are listed here below.

- A new series of portfolio was created. Historically portfolios were split into Individual and Aggregated. The individual portfolios were made by the aggregation of one or more instruments. The proposal would be now to split the Individual portfolio into single instrument portfolio and multi-instruments portfolio. This would allow to better understand the component in the multi-instruments portfolio that generate variability in the risk measures.

- Update of the reference dates, to the new 2025 exercise, plus small amendment to few instruments (203, 205).

Questions for consultation:

MR Q6: Do you see any issues with the changes introduced in the Annex 5?

MR Q7: In order to reduce the submission burden on the banks, would it be feasible for submitters to have just one submission for A-SA SBM and DRC RM (aligned to IMV submission and relating to the same reference date)?

3.1.3 SBM validation portfolios

10. The existing set of hypothetical portfolios in the market risk benchmarking exercise is based on hypothetical financial instruments that are interpreted and booked by banks according to the instructions. Variability observed in the risk measures reported for those portfolios may result from various sources starting from varying interpretations and bookings to modelling and other implementation choices made in the approaches that are benchmarked.

11. To reduce these sources of variability for the benchmarking of the ASA SBM, it was specified instruments and portfolios directly defining sensitivities towards regulatory risk factors (SBM validation portfolios). In this way, the only sources of variability remaining are the correct interpretation of the provided sensitivities and the implementation of the regulatory prescribed SBM calculation algorithm (netting, application of risk-weights, correlations, aggregation formulae). As already adopted by industry-led benchmarking exercises, this approach can be used to comprehensively validate banks' implementations at a comparatively low cost as the interpretation and booking burden of such instruments is considerably lower when compared to the hypothetical financial instruments generally used in the exercise. Reported results should in principle be identical across all reporting banks so that competent authorities can easily spot divergent implementations and give feedback to their supervised institutions based on the results.

12. The set of SBM validation portfolios for the Delta component of the general interest rate risk class of the ASA SBM, was adopted in the previous exercise as this risk class is relevant across all

participating banks and relevant for most financial instruments. With this consultation, EBA is suggesting extending to all asset classes the same kind of data collection.

13. Moreover, it is suggested to move the reporting of these results of their SBM calculations for the SBM validation portfolios as part of the Initial market valuation submission, in order to early detect issues in the benchmarking ASA submission.

Questions for consultation:

MR Q8: Do you agree with the proposed to extent the set of ASA instruments validation to all asset classes?

3.2 Credit risk benchmarking

14. In the current version of the ITS the columns 61, 62, 131, 132 and 133 of the templates C.102 and C.103 and the column 140 of the template C.105.01 collect information enabling to evaluate the impact on the risk metrics of eventual prudential add-ons or margins of conservativism (conservative adjustments). For these columns, the current instructions specify that the institution may omit the information in case it is not able to disentangle the conservative adjustments. It is proposed to modify this by requiring institutions to apply the general principle specified in point (3) of the “Part I: General Instructions” of the same Annex, in case institution is unable to isolate the relevant conservative adjustments. In this regard, the proposed amendments clarify the mandatory nature to report the PD and LGD risk parameters with regards to the MoC, regulatory add-on and DWT components. Further, the column 10 of the template C.105.01 contains the names of the models as they were defined by the institutions. It is recommended that the models' identifier assigned by the competent authority should be used. However, if this identifier is unavailable, the reporting institution should report the internal model ID.

3.2.1 Amendments to Annex 4

15. As mentioned in the previous paragraph, only limited changes were introduced to Annex 4. The changes are listed below:

    a. In the templates C.102 and C.103, the sentence “The information in columns 0061-0062 and 0131-0132 may be omitted, where institutions are not able to isolate the relevant conservative adjustments in its PDs and LGDs used for the RWA calculation due to ongoing model changes.” is removed. Furthermore, it is introduced in template 102 for the columns 61, 62, 131, 132 and 133 the sentence “In case the institution is not able to isolate the relevant conservative adjustments, the Part I General Instructions, point 3 shall apply.”

    b. For the column 10 of the template C.105.1 the sentence “The internal model ID assigned by the reporting institution shall be reported.” is substituted by the sentence “The internal model ID assigned by the competent authority shall be reported. In case this is unavailable, the internal model ID assigned by the reporting institution shall be reported.”

c. For the column 140 of the template C.105.01 the sentence "The information in column 0140 may be omitted." is substituted by the sentence "In case the institution is not able to isolate the relevant conservative adjustments, the general instructions, point 3 shall apply."

Questions for consultation:

CR Q1: Do you agree with the proposed changes to the instructions in Annex IV?

4. Draft implementing standards

EBA/GL-REC/20XX/XX

DD Month YYYY

Draft implementing technical standards amending Commission Implementing Regulation (EU) 2016/2070 on benchmarking of internal models

COMMISSION IMPLEMENTING REGULATION (EU) No …/...
of [date]

amending the implementing technical standards laid down in Implementing Regulation (EU) 2016/2070 as regards benchmark portfolios, reporting templates and reporting instructions for the reporting referred to in Article 78(2) of Directive 2013/36/EU of the European Parliament and of the Council

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC[1], and in particular Article 78(8), third subparagraph thereof,

Whereas:

(1) Pursuant to Article 78(1) of Directive 2013/36/EU, institutions are required to submit to their competent authority, at least annually, the results of the calculations of their risk weighted exposure amounts or own fund requirements under their internal approaches for exposures or positions that are included in the benchmark portfolios, to enable that competent authority to assess the quality of those internal approaches (‘benchmarking exercise’). Pursuant to Article 78(3), second subparagraph, of Directive 2013/36/EU, the European Banking Authority (the ‘EBA’) has to produce a report to assist the competent authorities in the assessment of the quality of the institutions’ internal approaches, based on the results of the benchmarking exercise. The Commission specified the reporting requirements for the benchmarking exercise in Commission Implementing Regulation (EU) 2016/2070[2]. That Implementing Regulation has been amended regularly to reflect the changes in the focus of the competent authorities’ assessments and of the EBA’s reports. For the same reason, it is necessary to update once more the benchmark portfolios, and thus also the reporting requirements laid down in Implementing Regulation (EU) 2016/2070. In particular, for the market risk benchmarking, it is necessary to introduce the data collection for the new Internal Model Approach (IMA) framework and to extend the data collection for the validation portfolios of the alternative standardised approach (ASA) to asset classes not included in the previous benchmarking exercise.

(2) Implementing Regulation (EU) 2016/2070 should be amended accordingly.

(3) This Regulation is based on the draft implementing technical standards submitted to the Commission by the EBA.

(4) EBA has conducted open public consultations on the draft implementing technical standards on which this Regulation is based, analysed the potential related costs and benefits and requested

[1] OJ L 176, 27.6.2013, p. 338–436.

[2] Commission Implementing Regulation (EU) 2016/2070 of 14 September 2016 laying down implementing technical standards for templates, definitions and IT-solutions to be used by institutions when reporting to the European Banking Authority and to competent authorities in accordance with Article 78(2) of Directive 2013/36/EU of the European Parliament and of the Council (OJ L 328, 2.12.2016, p.1).

the advice of the Banking Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1093/2010 of the European Parliament and of the Council[3].

HAS ADOPTED THIS REGULATION:

Article 1

Implementing Regulation (EU) 2016/2070 is amended as follows:

(1) Annex IV is replaced by the text in Annex I to this Regulation;
(2) Annex V is replaced by the text in Annex II to this Regulation;
(3) Annex VI is replaced by the text in Annex III to this Regulation;
(4) Annex VII is replaced by the text in Annex IV to this Regulation;
(5) Annex X is replaced by the text in Annex V to this Regulation.

Article 2

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union.*

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Commission
The President

On behalf of the President

[Position]

ANNEX

Annex I (Credit Risk Benchmarking)
Annex II (Market Risk Benchmarking)
Annex III (Market Risk Benchmarking)
Annex IV (Market Risk Benchmarking)
Annex V (Market Risk Benchmarking)

[3] Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC (OJ L 331, 15.12.2010, p. 12).

5. Accompanying documents

5.1 Draft cost-benefit analysis for changes related to credit and market risk benchmarking

Article 78 of Directive 2013/36/EU (CRD IV) requires competent authorities to conduct an annual assessment of the quality of internal model approaches, used for the calculation of own funds requirements, and requires the EBA to produce a report to assist them in this assessment. The report of the EBA relies on data submitted by institutions in accordance with EU Regulation 2016/2070, which specifies the benchmarking portfolios, templates, definitions and IT solutions to be used by the institutions as part of the annual benchmarking exercise, when using internal model approaches for market and credit risk.

The current draft ITS aim to update the previous ITS for the benchmarking data collection with the purpose of improving the exercises and adapting to the relevant policy changes which will be applicable by end-2024 and thus relevant for the 2025 exercise.

With regard to the credit risk no metrics have been deleted or newly introduced. Therefore, no in-depth impact assessment is considered relevant.

5.1.1 Market risk

Regarding the EBA's market risk benchmarking data collection, the purpose is to extend the set of information collected on the FRTB Internal Mode Approach (IMA). The new data concerns the various IMA FRTB features, such as the Risk factors eligibility test, the stress period applied, the different risk measures (Expected shortfall, Stress Scenario Risk Measures and Default risk change), as well as detailed information of the Expected Shortall (partial expected shortfall) and Stress Scenario Risk Measures (SSRM).

As per Article 15(1) of the EBA regulation (Regulation (EU) No 1093/2010 of the European Parliament and of the Council), any ITS developed by the EBA shall be accompanied by an Impact Assessment (IA) annex which analyses 'the potential related costs and benefits' before submitting to the European Commission. Such annex shall provide the reader with an overview of the findings as regards the problem identification, the options identified to remove the problem and their potential impacts.

For the purposes of the IA section of the Consultation Paper, the EBA prepared the IA with cost-benefit analysis of the policy options included in the regulatory technical standards described in this Consultation Paper. Given the nature of the study, the IA is mainly high-level and qualitative in nature including quantitative analysis when possible.

A. Problem identification

With regard to the market risk benchmarking data collection, the previous ITS for benchmarking data collection have remained stable, in terms of risk measures collected (i.e. VaR, Stress VaR, IRC).

B. Policy objectives

The general objective of the current ITS is to update the previous ITS for benchmarking data collection to update the set of information that concerns the IMA FRTB data collection.

The main objective of the implementation of the current draft benchmarking ITS is to extend the set of templates to have a data collection of the main element of the IMA FRTB framework, specifically Expected Shortfall, Stress scenario risk measures, and default risk charges, as long as with main information concerning the eligibility test, the stress scenario period applied, for a sub-set of instruments and portfolios to be benchmarked.

This would foster the strategic objective of creating a supervisory and reporting environment to ensure that institutions apply consistent modelling and valuation techniques. The following sections examine the options that could create such an environment, as well as the net impact that the implementation of such solutions implies.

C. Baseline scenario

For the market risk part of the exercise, for the EU institutions applying for the IMA-FRTB, the current status of reporting the results of modelling and valuations implies the potential operational costs and miscalculations, which lead to overvaluation or undervaluation of the reported values for the purposes of the benchmarking exercises. Since the extent and magnitude of overvaluations or undervaluations cannot be identified, the impact assessment focuses on the assessment of the net impact on the institutions' operations.

D. Options considered

When developing the draft ITS, the EBA considered the following options:

Option 1: do nothing

This option implies that credit institutions continue reporting data for the benchmarking exercise using just the previous set of templates for the exercises to date.

For the market risk part of the exercise, the continuation of the application of just the previous set of templates assumes that credit institutions and the EBA have the usual operational cost assigned to providing clarifications and ensuring the consistent submission of data.

The 'do nothing' option would imply leaving the Implementing Regulation on market risk benchmarking unchanged, Annex VI and VII, which would result in obtaining no information as the new features of the IMA approach cannot be represented with the current set of templates.

Option 2: revision of the templates relating to the benchmarking exercises

The main arguments that support the revision of the templates in the market risk benchmarking exercises are:

A. That the current template would not be appropriate to collect the new figures provided by the banks applying IMA FRTB framework;

B. potentially providing insights into the different functioning of the new market risk model.

For the market risk part of the exercise, the current ITS could achieve the objective by expanding the set information collected. With new additional templates (130.01, 130.02, 130.03, 130.04 and 130.05), concerning RFET, Stress period, daily risk measures, partial expected shortfall, VaR and P&L, as long as Stress Scenario Risk Measures. Moreover, this would provide new elements of analysis, for banks and competent authorities.

E. Cost-Benefit Analysis

The principle of proportionality applies to all aspects of the impact assessment, including methodology, depth of analysis, level of detail and necessity of quantitative analysis. Being consistent with this principle, the EBA staff follow the principle of proportionality when conducting the cost-benefit analyses. Given that the implementation of the current ITS would have a detrimental impact, the following analysis focuses on the qualitative characteristics. In doing so, it provides rough estimations of the net monetary impact that relates to the conduct of benchmarking exercises.

The net impact on capital requirements, implied by the implementation of the current guidelines, cannot be precisely assessed because, substantially, it would depend on further actions agreed by institutions with national competent authorities in response to the benchmarking exercise results; however, it is expected to be on average close to zero due to the hypothetical market portfolio exercise framework.

Market risk:

Option 1

Costs: a possible loss of informativeness in the data collection.

Benefits: one-off benefits (reduction of the existing operational costs) of not dedicating human resources to the drafting the present ITS.

Option 2

Costs: the one-off cost of dedicating resources to the drafting of the ITS. There is also a source of minimal cost that relates to the need for the EBA to explain the new set of templates to the national competent authorities and, through them, the participating credit institutions. However, it is to be noted that the data requested with the new templates should not be too burdensome, since the instruments are basically the same as before, and the data collection logic is very similar to the COREP logic.

Benefits: the benefits of this option arise from providing new and complete IMA-FRTB information and data, which would trigger the provision of additional insights to competent authorities and would keep the exercise relevant for the banks involved.

F. Preferred option

The EBA considers that, although these benefits are not directly observable and are spread over time, they are not negligible, and they are considered more important than the costs enumerated above. For this reason, the preferred option is Option 2.

5.1.2 Credit risk

Regarding the EBA's credit risk benchmarking data collection, it is suggested to modify the instruction of 5 columns of the templates C.102 and C.103 and 2 columns of the template C.105 and remove the sentence "The information in columns 0061-0062 and 0131-0132 may be omitted, where institutions are not able to isolate the relevant conservative adjustments in its PDs and LGDs used for the RWA calculation due to ongoing model changes." in templates C.102 and C.103. Specifically, for columns 61, 62, 131, 132 and 133 of templates C.102 and C.103, as well as column 140 of the template C.105.01, it is specified that when the reporting institution cannot provide the information due to an inability to disentangle the prudential adjustments, the cell should be filled in accordance with the point 3 of the "Part I General Instructions". While these proposed changes clarify the mandatory requirement to report the PD and LGD risk parameters with regards to MoC, regulatory add-on, and DWT components, institutions are still allowed to apply the principle as outlined in point 3 of the "Part I General Instructions" of the same Annex. For this reason, these changes are in the direction of not entailing additional costs for the reporting institution. For the column 10 of the template C.105.1 it is specified that the model ID defined by the competent authority should be used when available. Again, in this case, the additional costs appear to be limited, but this could simplify the exchanges between institutions and the competent authorities.

5.2 Overview of questions for consultation

Questions

MR Q1: Do you see any issues or lack of information required in the new templates suggested for the IMA FRTB benchmarking exercise (i.e. Annex 6 & 7)?

MR Q2: Do you think it is appropriate the restrict the data collection to only two asset classes (interest and credit spread risk) to begin the exercise? Please motivate your answer.

MR Q3: Do you think it is appropriate to ask to report also a PES with the same stressed risk scenario? Would you extend this possibility also to the SSRM?

MR Q4: Do you think it is appropriate/feasible to impose to report an instrument/portfolio as if all the risk factors in the instruments/portfolio would be eligible to pass the risk factor eligibility test?

MR Q5: As a follow-up to Q4, do you think it is appropriate/feasible to impose to report an instrument/portfolio as if all the risk factors in the instruments/portfolio would fail to pass the risk factor eligibility test (i.e. report all the RF as if they were NMRF)?

MR Q6: Do you see any issues with the changes introduced in the Annex 5?

MR Q7: In order to reduce the submission burden on the banks, would it be feasible for submitters to have just one submission for A-SA SBM and DRC RM (aligned to IMV submission and relating to the same reference date)?

MR Q8: Do you agree with the proposed to extent the set of ASA instruments validation to all asset classes?

CR Q1: Do you agree with the proposed changes to the instructions in Annex IV?